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August 15, 2008

Rec'd 8/15/08

VIA HAND DELIVERY

Ms. Victoria Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: Finance Docket No. 35095, The Alaska Railroad Corp. -- Petition For An
Exemption From 49 U.S.C. §10901 To Construct and Operate a Rail Line
Extension to Port MacKenzie, Alaska

Dear Ms. Rutson:

On behalf of Alaska Railroad Corporation ("ARRC") and with the support of the Matanuska-Susitna Borough ("Mat-Su Borough"), the purpose of this letter is to provide you with some updated information concerning the above-captioned proceeding. First, based on the ARRC's continuing study of the alignments, we propose that the MAC East Route be designated as the preferred or proposed action for the southern one-third of the project. In addition, based on all available information summarized below, ARRC, together with the Mat-Su Borough, believe that the MAC West Route alternative does not warrant further consideration and request that SEA consider eliminating it from detailed study in connection with the ongoing environmental review for the above-captioned proceeding.

We offer the following information for your consideration:

1. During the public scoping process conducted by the Section of Environmental Analysis ("SEA") during the fall 2007, relatively few comments were received concerning either the MAC East or the MAC West Route alternatives. Public comment concerning the project alternatives focused primarily on the northern two-thirds of the project involving the Willow, Houston, and Big Lake alignments. These three northern alignments are accessed by either the MAC East or MAC West routes, the two alternatives comprising the southern one-third of the project. Both the MAC East and MAC West Routes would support the selection of any of the three more northern routes.

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2. The MAC West Route poses a number of environmental, construction and operational impacts (especially compared to the MAC East Route) including:

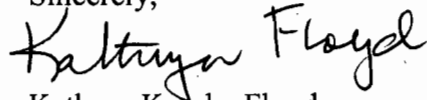
- The MAC East Route would have less impact on farm land (approximately 56 acres versus 106 acres on Mac West) and private property than the MAC West Route.
- The MAC East Route would require traversing and mitigation of substantially less area of wetlands (approximately 110 acres less) than the MAC West Route.
- The MAC West Route would impact the Susitna Flats Refuge requiring an evaluation under section 4 (f) of the Transportation Act. The MAC East route would not impact the Susitna Flats Refuge.
- The MAC East Route would have significantly better geotechnical characteristics than the MAC West Route. The Port MacKenzie Agricultural Area is located on a terrace. The western edge of this terrace is only marginally higher in elevation than an adjacent vast wetland network, and is relatively saturated. In contrast, the eastern edge of the terrace along the MAC East alignment is much more clearly defined and is heavily laden with gravels and solid materials which are more suitable for new railroad construction.
- The MAC East Route would not increase the bifurcation of habitat to the degree of the MAC West alternative. The MAC East alignment closely follows the Port MacKenzie roadway corridor. Large portions of the area east of Port MacKenzie road are in private hands and are undergoing development. This corridor is defined clearly by both topography and the clearing of vegetation in the vicinity of the road, thereby presenting a barrier or limitation for the migration of land species. There is no such current delineation between the agricultural area and the Susitna Flats Game Refuge for the MAC West Route other than vegetation. Further, the land in this area of the MAC West Route is not expected to be developed in the foreseeable future.
- Because the MAC East Route is the shorter of the two routes, with fewer wetlands to traverse and better geotechnical characteristics, it is estimated to cost \$5-10 million less to construct and would be more economical to operate than the MAC West Route.
- The MAC East Route has two at-grade crossings (Baker Farm Road and Holstein Avenue) and the MAC West Route has none. Despite this, the lack of development in the area of MAC East Route provides adequate space to address safety and growth concerns without a need for consideration of significant and costly mitigation measures.

In consideration of the foregoing, the ARRC, together with the Mat-Su Borough, have selected the MAC East Route as the preferred or proposed action for the southern one-third of the project. The MAC East Route alternative is comparatively favorable from the perspectives of environmental, construction and operational perspectives.

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Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Kathryn Kusske Floyd". The signature is written in a cursive, flowing style.

Kathryn Kusske Floyd

cc: Dave Navecky
Alan Summerville
Brian Lindamood